

United States Senate

WASHINGTON, DC 20510

September 27, 2023

Scott Giles
Chief Executive Officer
Higher Education Loan Authority of the State of Missouri (MOHELA)
633 Spirit Drive
Chesterfield, Missouri 63005-1243

Dear Mr. Giles:

We are concerned as millions of federal student loan borrowers are set to resume student loan payments for the first time in more than three and a half years starting in October.¹ In July, 2023, we sent a letter to the Higher Education Loan Authority of the State of Missouri (MOHELA) and three other federal student loan servicers requesting information about their plans to support the tens of millions of federal student loan borrowers resuming payments.² The responses, in addition to troubling reports from individual borrowers that are having problems with their servicers, leave us deeply worried about your preparedness for this unprecedented return to repayment.³ We write to seek an update about the current borrower experience and efforts to reduce harm to borrowers.

The July 2023 letters we sent to loan servicers requested information to determine their readiness to aid and prevent harm to borrowers as they anticipated a resumption of student loan payments. In their responses, some loan servicers raised uncertainty about the restart of payments for millions of borrowers and warned about delays as a result of funding concerns. For example, Nelnet was unable to model the expected daily transactions to service borrowers or time it takes to train associates for the resumptions of payments⁴ and MOHELA anticipated extended wait times and servicing delays due to budget shortfalls.⁵

¹ Federal Student Aid, “COVID-19 Emergency Relief and Federal Student Aid,” <https://studentaid.gov/announcements-events/covid-19>; Politico, “Biden admin will resume interest on federal student loans Sept. 1; monthly payments due in October,” Michael Stratford, June 12, 2023, <https://www.politico.com/newsletters/weekly-education/2023/06/12/biden-admin-will-resume-interest-on-federal-student-loans-sept-1-monthly-payments-due-in-october-00101431>; Fiscal Responsibility Act of 2023, H.R.3746, <https://www.congress.gov/bill/118th-congress/house-bill/3746>.

² Office of Senator Warren, “Senators Warren, Blumenthal, Brown, Markey, Menendez, Van Hollen Seek Answers from Federal Loan Servicers on Plans to Support Borrowers Ahead of Student Loan Payment Restart,” press release, July 19, 2023, <https://www.warren.senate.gov/oversight/letters/senators-warren-blumenthal-brown-markey-menendez-van-hollen-seek-answers-from-federal-loan-servicers-on-plans-to-support-borrowers-ahead-of-student-loan-payment-restart>.

³ Letter from Federal Student Loan Servicers to Senator Warren, August 2023, <https://www.warren.senate.gov/download/servicers-responses>.

⁴ Letter from Federal Student Loan Servicers to Senator Warren, August 2023, <https://www.warren.senate.gov/download/servicers-responses>, Nelnet, pp. 1-2.

⁵ Letter from Federal Student Loan Servicers to Senator Warren, August 2023, <https://www.warren.senate.gov/download/servicers-responses>, MOHELA, p. 2.

Exhibit

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We recognize that the Office of Federal Student Aid (FSA) is facing a daunting challenge—holding servicers accountable to ensure they are helping millions of federal student loan borrowers resume payments and implementing congressionally mandated reforms to fix the student loan system—on a limited budget.⁶ That is why we have called on Congress to ensure FSA has the appropriate resources to protect and support borrowers in the return to payment.⁷ However, we agree with Director Rohit Chopra of the Consumer Financial Protection Bureau (CFPB), who warned servicers that “[b]udget cuts are never a rationale for breaking the law.”⁸ In fact, we are skeptical of their claim that insufficient funding is keeping them from fulfilling their most foundational obligation considering that they were paid on average approximately \$2 a month per account amounting to billions of dollars,⁹ while payments, interest, and collections were suspended during the public health emergency.¹⁰

We are particularly concerned that, as of August, loan servicers had not been in contact with millions of borrowers. Based on the responses we received from Aidvantage, Edfinancial and MOHELA, nearly 6 million borrowers still had not created accounts at their new servicers.¹¹ Even worse, servicers do not have the accurate updated contact information for hundreds of thousands of transferred borrowers.¹² As journalist Cory Turner noted, “If they don’t know where you live — email, snail mail address — they cannot find you and bill you, but that won’t stop the interest from continuing to grow and grow.”¹³ Further, in 2015, the CFPB reported that when servicers transferred 2.5 million borrowers to new servicers, nearly 20 percent of accounts contained mistakes due to “incorrect balances, missing payments, improper claims of

⁶ Inside Higher Ed, “Education Department Hints at Possible Delay of FAFSA,” Katherine Knott, February 8, 2023, <https://www.insidehighered.com/news/2023/02/08/education-department-hints-possible-delay-new-fafsa>.

⁷ Office of Senator Elizabeth Warren, “Warren, 16 Senators Request Increased Funding for Office of Federal Student Aid,” press release, April 10, 2023, <https://www.warren.senate.gov/oversight/letters/warren-16-senators-request-increased-funding-for-office-of-federal-student-aid>.

⁸ NPR, “Student loan borrowers are spending a lot of time on hold, says federal watchdog,” Cory Turner, September 11, 2023, <https://www.npr.org/2023/09/11/1198760888/student-loan-borrowers-are-spending-a-lot-of-time-on-hold-says-federal-watchdog>.

⁹ U.S. Securities and Exchange Commission, “Nelnet Modification of Contract,” April 1, 2023, p. 3, <https://www.sec.gov/Archives/edgar/data/1258602/000125860223000030/exhibit101nnimodificatio.htm>; U.S. Securities and Exchange Commission, “Nelnet Form 10-Q,” November 8, 2021, <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001258602/7bf4ae39-5208-46f7-beb0-636087d9593e.pdf>; The Roosevelt Institute, “The Suit against Student Debt Relief Doesn’t Add Up: Flawed Claims of Legal Standing in Biden v. Nebraska,” Thomas Gokey, Eleni Schirmer, Braxton Brewington, Louise Seamster, May 2023, p. 8, https://rooseveltinstitute.org/wp-content/uploads/2023/05/RI_Flawed-Claims-of-Legal-Standing-in-Biden-v-Nebraska_brief_202305.pdf.

¹⁰ Federal Student Aid, “COVID-19 Loan Payment Pause and 0% Interest,” <https://studentaid.gov/announcements-events/covid-19/payment-pause-zero-interest>.

¹¹ 3.1M from Aidvantage, question 15, p. 4, 1.2M from Edfinancial, question 15, p. 9, 1.6M from MOHELA, question 15, p. 7; Letter from Federal Student Loan Servicers to Senator Warren, August 2023, <https://www.warren.senate.gov/download/servicers-responses>.

¹² 14K from Aidvantage, question 14, p. 4, 14K (phone number) 32K (mailing address) for Edfinancial, question 14, p. 8, 69K (phone) to 336K (email) from MOHELA, question 14, pp. 6-7; Letter from Federal Student Loan Servicers to Senator Warren, August 2023, <https://www.warren.senate.gov/download/servicers-responses>.

¹³ NPR, “Student loan payments are back. Now what?,” Cory Turner, September 3, 2023, <https://www.npr.org/2023/09/03/1197497456/student-loan-payments-are-back-now-what>.

delinquency, revised amortization schedules that resulted in higher monthly payments, and much more.”¹⁴ Over the past few years, nearly 17 million borrowers — nearly seven times the number of borrowers who were transferred in 2015 — have been transferred to a new servicer, with more borrowers expected to be transferred by the fall, placing a greater strain on servicers.¹⁵ The CFPB discovered numerous errors in hundreds of thousands of accounts, including inaccurate payment information, due dates, and payment plans and IDR payment count; miscounted IDR payments; and borrowers being placed in the wrong forbearance.¹⁶

Borrowers who have been attempting to contact their loan servicers in advance of the October 1 payment resumption are reporting long hold times. Despite some servicers estimating that average wait times for borrowers would be less than 5 minutes,¹⁷ reports indicate that some borrowers are waiting three or four hours before connecting with a representative to determine how much their payments will be, or when their payment will be due.¹⁸ Unpublished federal data shows that over half of borrowers were on hold for so long that they gave up before connecting with a representative.¹⁹ Meanwhile, borrowers are being directed to use servicers’ websites, but servicers seem unprepared to handle the volume there either, with reports that Aidvantage and Nelnet’s websites are crashing.²⁰ This is deeply troubling: borrowers who cannot get a hold of their student loan servicer ahead of repayment may not know their payment amount, and they cannot learn the various payment plans to determine the best one for their specific circumstances or determine their eligibility for various forms of loan relief.

We are also concerned about reports indicating that borrowers are not being provided with accurate information. According to the director of the Education Debt Consumer Assistance Program in New York, servicers are “providing the wrong information,” in part because some

¹⁴ Consumer Financial Protection Bureau, “Student loan servicing,” September 2015, p. 50, https://files.consumerfinance.gov/f/201509_cfpb_student-loan-servicing-report.pdf; The American Prospect, “The Oncoming Train Wreck of Restarting Student Loan Payments,” David Dayen, June 7, 2023, <https://prospect.org/education/2023-06-07-oncoming-train-wreck-student-loan-payments/>.

¹⁵ Politico, “Biden admin will resume interest on federal student loans Sept. 1; monthly payments due in October,” Michael Stratford, June 12, 2023, <https://www.politico.com/newsletters/weekly-education/2023/06/12/biden-admin-will-resume-interest-on-federal-student-loans-sept-1-monthly-payments-due-in-october-00101431>; The Consumer Financial Protection Bureau, “Office of Research blog: Update on student loan borrowers as payment suspension set to expire,” Thomas Conkling and Christa Gibbs, June 7, 2023, <https://www.consumerfinance.gov/about-us/blog/office-of-research-blog-update-on-student-loan-borrowers-as-payment-suspension-set-to-expire/>.

¹⁶ CFPB, “Supervisory Highlights Student Loan Servicing Special Edition,” September 2022, p.11, https://files.consumerfinance.gov/f/documents/cfpb_student-loan-servicing-supervisory-highlights-special-edition_report_2022-09.pdf.

¹⁷ Letter from Federal Student Loan Servicers to Senator Warren, August 2023, questions 7-9, <https://www.warren.senate.gov/download/servicers-responses>.

¹⁸ CNN, “Student loan borrowers are frustrated with servicers ahead of payment restart,” Katie Lobosco, September 8, 2023, <https://www.cnn.com/2023/09/08/politics/student-loan-payment-servicer-problems/index.html>.

¹⁹ NPR, “Federal student loan borrowers prepare to resume repaying their loans,” Michel Martin, Cory Turner, September 18, 2023, <https://www.npr.org/2023/09/18/1200076867/federal-student-loan-borrowers-prepare-to-resume-repaying-their-loans>.

²⁰ CNN, “Student loan borrowers are frustrated with servicers ahead of payment restart,” Katie Lobosco, September 8, 2023, <https://www.cnn.com/2023/09/08/politics/student-loan-payment-servicer-problems/index.html>.

staff members are still being trained.²¹ Borrowers across the country are reporting incorrect payment calculations. For example, *The American Prospect* covered three borrowers' stories, such as one who saw her payments more than triple from \$300 to \$1,000, even though her income has not significantly increased since 2019.²² Another borrower shared how her payment jumped from \$80.69 to \$993.99 in May due to a "system error, a known error" which still wasn't resolved as of August.²³ When one borrower who is also a student loan attorney tried to get the payment error corrected, she had difficulty doing so, despite her understanding of the process.²⁴ Even after contacting the Federal Student Aid Ombudsman's office, she was still enrolled in the wrong payment plan.²⁵ She noted that "[t]oo often, when servicers make mistakes, borrowers are left paying the price, often with money they couldn't afford to lose in the first place,"²⁶ and she's right.

The October 1 resumption of payments is only days away. We are seeking updated information on your company's readiness to aid and prevent harm to borrowers. We ask that you provide answers to the following questions no later than October 11, 2023:

- 1) What is the current average call wait time for borrowers before they are transferred to a customer service representative at your company?
 - a) What percent of borrowers that are placed on hold hang up before they speak with a company representative?
 - b) What is your current call abandonment rate?
- 2) How many steps does it take a borrower to navigate your Interactive Voice Response (IVR) menu from the time a call is connected until they are able to select an option to speak with a representative?
 - a) How many minutes does it take a borrower, on average, to navigate your IVR and select an option to speak with a representative?
 - b) Is the time it takes to navigate your IVR and select an option to speak with a representative included in the average call wait time metric provided in question #1?
 - i) If no, please provide an additional response that indicates the total amount of time, on average, it takes for a borrower to reach a representative at your company.
 - c) Is the time it takes to navigate your IVR and select an option to speak with a representative included in the abandon rate metric provided in question #1b?
 - i) If no, please provide an additional response that indicates the total share of borrowers who contact your company but hang up before successfully navigating your IVR?

²¹ NPR, "Student loan payments are back. Now what?," Cory Turner, September 3, 2023, <https://www.npr.org/2023/09/03/1197497456/student-loan-payments-are-back-now-what>.

²² The American Prospect, "Student Borrowers Report Chaos and Confusion as Repayment Looms," David Dayen, August 31, 2023, <https://prospect.org/education/2023-08-31-student-borrowers-report-chaos-repayment-looms/>.

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.*

- d) Have the number of steps changed in the past 12 months and, if so, how?
- 3) What is the current average email response time for borrowers trying to get in touch with your company?
- 4) How many borrowers have been transferred to you through the Department's Fresh Start initiative?
 - a) Describe the specific outreach you have made to borrowers transferred to you through Fresh Start. How many of these borrowers have responded to your outreach?
 - b) How many of these borrowers have been placed in an IDR plan?
 - c) How many of these borrowers have set up an account with your company?
 - d) How many of these borrowers have you made successful contact with?
- 5) For each of the following months, what is your projected average and maximum call and email communication wait times?
 - a) October
 - b) November
 - c) December
- 6) If you offer scheduled callbacks, how many hours is the average borrower having to wait to get a callback?
- 7) How many borrowers have complained about errors in calculating their monthly payment amounts?
 - a) What steps do you take to ensure borrowers' monthly payments were calculated appropriately?
- 8) What percentage of your staff are fully trained and responding to borrower inquiries?
- 9) What guidance are you receiving from the Department of Education regarding customer service quality assurance in the context of return to repayment?
- 10) What is your most recent Service Level Agreements (SLA) performance score for the following metrics?
 - a) Customer Satisfaction
 - b) Interaction Quality Monitoring, and
 - c) Accuracy rate.
- 11) What guidance are you receiving from the Department of Education regarding how to report missed student loan payments to credit reporting agencies during the on-ramp?
 - a) What do you report to credit reporting agencies if a borrower misses monthly payments during the on-ramp?

- b) What are you telling borrowers regarding the consequences of missed payments during the on-ramp?
- 12) How many borrowers have been transferred to your company since February 1, 2020?
- How many of these borrowers have you made successful contact with?
 - How many of these borrowers have set up an account with your company?
- 13) Describe the outreach to the over 2.5 million ED-backed FFEL borrowers²⁷ about the benefits and risks of loan consolidation.
- 14) Please provide the most recent version of the Return to Repayment, Student Debt Relief, and Income Driven Repayment New Communication Playbook.

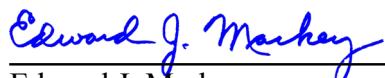
Sincerely,



Elizabeth Warren
United States Senator



Chris Van Hollen
United States Senator



Edward J. Markey
United States Senator



Richard Blumenthal
United States Senator

²⁷ Federal Student Aid, “Location of Federal Family Education Loan Program Loans,” <https://studentaid.gov/sites/default/files/fsawg/datacenter/library/LocationofFFELPLOans.xls>.